



Quarterly Report

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Submitted by:
Deloitte Touche Tohmatsu Emerging Markets

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Croatian Enterprise Promotion Activity

A project funded by USAID and administered by Deloitte Touche Tohmatsu Emerging Markets



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1 EXECUTIVE SUMMARY

1.1 Project Background

On September 28, 2001 Deloitte Touche Tohmatsu Emerging Markets, Ltd. (DTTEM) and the United States Agency for International Development (USAID), through its Regional Contracting Office (RCO), signed contract #160-C-00-01-00108-00 ("the Contract") for the implementation of the Croatian Enterprise Promotion Activity ("CEP" or "the Project").

The purpose of the CEP is to provide technical assistance aiming at removing constraints and market failures impeding the smooth and affordable provision of expert business consulting services and financial products to Croatia's small and medium enterprises (SMEs).

The CEP will support USAID/Croatia's Strategic Objective 1.3 - Growth of a Dynamic and Competitive Private Sector. The intermediate results include:

IR 1.3.2 Strengthened Capacity of SMEs to Operate and Compete

IR 1.3.2.1 Adoption of Improved Technologies

IR 1.3.2.2 Increased Access to Financing

IR 1.3.2.3 Strengthened Business Associations

This report summarizes our activities and overall progress for the fourth quarter, 2001. It is provided in accordance with Section F.4.d, Technical Reports, and Section G.5 Periodic Progress Reports of the Contract.

1.2 Progress Summary

See sections 2 and 3 (below).

1.3 Outstanding Issues and Concerns

No issues at present.

2 PROJECT MANAGEMENT AND ORGANIZATION

The following are the major activities that took place in team mobilization and project organization during the quarter.

2.1 Staff

Richard Wolfe, Chief of Party, mobilized on October 30, and Hayley Alexander, Deputy Chief of Party, mobilized on November 22, 2001.



Tina Turk, a consultant from Deloitte's Ljubljana office, also mobilized January 8, 2002.

During the month of December, CEP hired Maja Dzapo for the position of Project Administrator/Office Manager, and Davorka Jevic as Secretary/Receptionist.

2.2 Project Organization

- **Home Office Support:** Stephen Carpenter joined Violetta Kozlowski as a member of the home office project management team.
- **Project Office:** The CEP office was established at Jurisiceva 19, Zagreb.

3 PROGRESS OF DELIVERABLES

3.1 Overview

During the startup period of the Project, our work consists mainly of establishing working relationships with partners, conducting research to determine the specific needs for technical assistance and training products, and planning of product development and training activities.

3.2 Summary of Key Activities

Consulting Industry Inventory: During the quarter, CEP staff conducted an inventory of Croatian business consultants, with report scheduled for submission in January. The inventory focused on existing services provided, training and technical assistance products used, capabilities and needs. In total, 28 face-to-face interviews were conducted. The interviewees were selected from two sources: 1) a list of approximately 260 consultants compiled in calendar year 2000 for the Ministry of Crafts and SMEs and 2) a listing of registered consultants from the Chamber of Economy. Results of the survey validated the basic project design, emphasizing the need for technical assistance and training products.

Inventory of Business Associations: During the quarter, CEP staff began a survey of business associations representing SMEs, and in particular, the key industries of interest to CEP. This survey, to be completed and results reported in the next quarter, will identify the associations' membership, structure and services to members. We are also using the interviews as an opportunity to discuss the major activities of CEP and explore means of cooperation, including product development, training, and establishment of an SRO and consulting industry standards. In all, a total of approximately 20 interviews will be conducted. A draft report will be submitted in February.

Assembly of Advisory Group: During the quarter, CEP secured the participation of four out of the six planned members of the Project Advisory Group. The remaining members will be identified and contacted during the first part of the next quarter, with the first meeting planned for February. At that time, we will review the results of the consultant industry and business association surveys and discuss plans for the remaining work of the Project.



3.3 Activities Planned for Next Reporting Period

End User Survey. During the next quarter, CEP will design a face-to-face survey of SMEs that are current or potential end users of consulting services. The survey will focus primarily on the perceived need for consulting services and criteria used in selecting consulting service providers. The results, considered along with the results of the consultant and association inventories, will provide valuable guidance in determining the specific products that should be developed by CEP, as well as their content and industry focus. Initial discussions with the Croatian Employers Association suggest an interest in close coordination for administration of the survey. The survey instrument (interview process) and tabulation of the responses will be subcontracted to a Croatian polling or survey research firm, which CEP will select through a formal competitive procurement. A total of approximately 200 interviews will be conducted during February and March. CEP staff will prepare a draft of the questionnaire and assist in constructing the sampling frame. CEP staff will also prepare and submit the final report in the last half of March.

Preparation of pilot materials. We will prepare prototype technical assistance and training materials for one industry, to be pilot tested in second quarter of 2002. This work will be led by the Team Leader for Quality materials and training, Barrie Evans, who will visit the project from Feb 4 to March 8.

Short-term assignment to develop plan for small business promotion agency.. An expatriate consultant provided by the Services Group will conduct a three-week assignment in February and March for the Ministry of Crafts and SMEs. The consultant will prepare a report recommending a structure and scope of services for the new small business promotion agency. The report will also describe available models used for this type of agency in other European countries and the U.S.

4 Budget and Contract Administration

This section summarizes budget and contract administration information and issues during the month of December.

4.1 Budget

A project budgeting system will be developed that will track budget burn rates across various cost categories for the project. Through the end of the quarter, CEP has used approximately 10% of the total budget allocated for Year 1 of the project (including commitment of funds to the successful bidder for computer system purchase).



4.2 Contract Administration

During the quarter, there were no prime contract modifications. Deloitte Emerging Markets negotiated and signed subcontracts with the three subcontractors that were identified in our proposal: Deloitte Central Europe, The Services Group, and the International Executive Services Corp.

5 Outstanding Issues and Concerns

We will inform USAID on a day-to-day basis of the emergence of new issues and concerns that arise in the course of our work.

6 Work Plan for first quarter, 2002

Major work items for the next quarter include:

- Secure participation of remaining advisory board members and hold first meeting;
- Complete survey of business associations and prepare and submit report;
- Prepare end user survey instrument and RFP, issue procurement, select successful bidder, complete the survey, analyze results and issue report;
- Prepare prototype technical assistance and training materials for one industry, to be pilot tested in second quarter of 2002;
- Conduct feasibility analysis and identify options for establishment of an SRO; and
- Conduct first policy study for the Ministry of Small and Medium Enterprises, to develop a plan for the structure and services of a small business promotion agency.